

**FISCAL ESTIMATE FORM**

**1999 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

**LRB # -3442/2**

**INTRODUCTION # AB 456**

**Admin. Rule #**

**Subject**

Individual Income Tax Deduction for Certain Health Insurance Premiums

**Fiscal Effect**

**State:**  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation     Increase Existing Revenues  
 Decrease Existing Appropriation     Decrease Existing Revenues  
 Create New Appropriation

Increase Costs - May be Possible to Absorb Within Agency's Budget  Yes  No

Decrease Costs

**Local:**  No Local Government Costs

1.  Increase Costs  
 Permissive  Mandatory  
2.  Decrease Costs  
 Permissive  Mandatory

3.  Increase Revenues  
 Permissive  Mandatory  
4.  Decrease Revenues  
 Permissive  Mandatory

5. Types of Local Governmental Units Affected:

- Towns  Villages  Cities  
 Counties  Others \_\_\_\_\_  
 School Districts  WTCS Districts

**Fund Sources Affected**

- GPR  FED  PRO  PRS  SEG  SEG-S

**Affected Ch. 20 Appropriations**

**Assumptions Used in Arriving at Fiscal Estimate:**

Under current law, self-employed persons may deduct 100% of their health insurance premiums, and persons who are employed by another person may deduct 50% of their premiums if their employer does not contribute to their health insurance coverage. This bill would increase the deduction to 100% of premiums for employed persons whose employer does not contribute to their health insurance. It would also create a deduction for 100% of health insurance premiums for persons who are not employed and who are not eligible for the deduction for the self-employed. Both changes would take effect in tax year 2000.

Simulations on the 1997 Wisconsin individual income tax model, adjusted to reflect changes in tax law, indicate that this bill would reduce individual income tax revenues by \$4.1 million in FY01.

Doubling the existing deduction for persons whose employer does not contribute to their health insurance would reduce revenues by \$0.9 million.

Creating a deduction for persons who are not employed and who are not eligible for the deduction for the self-employed would reduce revenues by \$3.2 million. The simulation assumed that 9.5% of tax filers without earnings would be eligible for the deduction, based on information from the Employee Benefits Research Institute that 9.5% of all adult nonworkers are covered by private, nonemployer health plans. Further, annual premiums were assumed to be \$6,000 for family plans and \$2,200 for single coverage, based on information in the Group Health Insurance Index for 1999 compiled by the Office of the Commissioner of Insurance.

The Department of Revenue would incur additional costs of \$40,800 for audit review of the new deduction. There would also be one-time costs of \$9,400 for supporting expenses.

**Long-Range Fiscal Implications:**

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**Date**

10/5/99

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

**1999 Session**

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**LRB # - 3442/2**  
**INTRODUCTION # AB 456**

Admin. Rule #

**Subject**  
 Individual Income Tax Deduction for Certain Health Insurance Premiums

**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

One-time costs of \$9,400

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringe	\$ 36,400	\$ -
(FTE Position Changes)	(0.8 FTE)	( - FTE)
State Operations-Other Costs	4,400	-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$ 40,800</b>	<b>\$ -</b>
<b>B. State Costs by Source of Funds</b>	<b>Increased Costs</b>	<b>Decreased Costs</b>
GPR	\$ 40,800	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>	<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes	\$	FY01 \$ - 4.1 million
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>FY01 \$ - 4.1 million</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ + 40,800	\$
NET CHANGE IN REVENUES	\$ - 4.1 million	\$

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
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